

The Paria Fund

Financial Statements

30 June 2015



First Citizens

Independent Auditor's Report

To the Unitholders of The Paria Fund

We have audited the accompanying financial statements of The Paria Fund, which comprise the statement of financial position as at June 30, 2015 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements.

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Paria Fund as at June 30, 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

October 14, 2015

Port of Spain,
Trinidad, West Indies

Statement of Financial Position

(Expressed in United States Dollars)

| | Notes | As at 30 June | |
|-------------------------------------|-------|--------------------|--------------------|
| | | 2015 \$ | 2014 \$ |
| ASSETS | | | |
| Available-for-sale financial assets | 4 | 176,647,293 | 160,221,013 |
| Interest receivable | | 2,826,908 | 2,463,438 |
| Other receivable | | 2,388 | — |
| Due from related party | 8 | — | 438,373 |
| Cash and cash equivalents | 5 | 32,477,369 | 29,273,641 |
| TOTAL ASSETS | | 211,953,958 | 192,396,465 |
| LIABILITIES | | | |
| Due to related party | 8 | 397,905 | — |
| Accrued expenses and other payables | 6 | 379,973 | 527,707 |
| TOTAL LIABILITIES | | 777,878 | 527,707 |
| EQUITY | | | |
| Equity | | 211,176,080 | 191,868,758 |
| TOTAL EQUITY | 7 | 211,176,080 | 191,868,758 |
| TOTAL LIABILITIES AND EQUITY | | 211,953,958 | 192,396,465 |

On October 14, 2015, the Trustee of The Paria Fund authorised these financial statements for issue.

Trustee:

Trustee:

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

(Expressed in United States Dollars)

| | Notes | For the year ended | |
|--|-------|--------------------|--------------------|
| | | 2015 \$ | 2014 \$ |
| INCOME | | | |
| Net interest income | | 5,914,317 | 5,668,031 |
| Realised loss on disposal of available-for-sale financial assets | | (21,363) | (283,200) |
| TOTAL INVESTMENT INCOME | | 5,892,954 | 5,384,831 |
| EXPENSES | | | |
| Management fees | 8 | (3,062,103) | (2,678,173) |
| Administrative expenses | 9 | (1,096,613) | (920,765) |
| TOTAL EXPENSES | | (4,158,716) | (3,598,938) |
| NET INVESTMENT INCOME FOR THE YEAR | | 1,734,238 | 1,785,893 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| <i>Reclassifiable to profit or loss</i> | | | |
| Net change in unrealised (losses)/gains on available-for-sale financial assets | | (1,035,035) | 3,314,977 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 699,203 | 5,100,870 |

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

(Expressed in United States Dollars)

| | Net assets attributable to unitholders | | Fair value reserve | Retained surplus | Total Equity |
|------------------------------------|--|--------------------|--------------------|------------------|--------------------|
| | # of units | Amount \$ | \$ | \$ | \$ |
| Year ended June 30, 2015: | | | | | |
| Balance at June 30, 2014 | 18,497,489 | 184,974,895 | 6,890,344 | 3,519 | 191,868,758 |
| Subscriptions | 11,776,108 | 117,761,078 | — | — | 117,761,078 |
| Redemptions | (9,915,296) | (99,152,959) | — | — | (99,152,959) |
| Net investment income | — | — | — | 1,734,238 | 1,734,238 |
| Distributions to unitholders | — | — | — | (1,734,238) | (1,734,238) |
| Reinvestment of distributions | 173,424 | 1,734,238 | — | — | 1,734,238 |
| Other comprehensive loss | — | — | (1,035,035) | — | (1,035,035) |
| Balance as at June 30, 2015 | 20,531,725 | 205,317,252 | 5,855,309 | 3,519 | 211,176,080 |
| Year ended June 30, 2014: | | | | | |
| Balance at June 30, 2013 | 16,280,730 | 162,807,304 | 3,575,367 | 3,519 | 166,386,190 |
| Subscriptions | 16,102,996 | 161,029,965 | — | — | 161,029,965 |
| Redemptions | (14,064,826) | (140,648,267) | — | — | (140,648,267) |
| Net investment income | — | — | — | 1,785,893 | 1,785,893 |
| Distributions to unitholders | — | — | — | (1,785,893) | (1,785,893) |
| Reinvestment of distributions | 178,589 | 1,785,893 | — | — | 1,785,893 |
| Other comprehensive income | — | — | 3,314,977 | — | 3,314,977 |
| Balance as at June 30, 2014 | 18,497,489 | 184,974,895 | 6,890,344 | 3,519 | 191,868,758 |

The accompanying notes form an integral part of these financial statements.

The Paria Fund

Financial Statements

30 June 2015



First Citizens

Statement of Cash Flows

(Expressed in United States Dollars)

| | For the year ended | |
|---|---------------------|---------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net investment income for the year | 1,734,238 | 1,785,893 |
| Adjustments to reconcile net investment income for the year to net cash used in operating activities: | | |
| Purchase of available-for-sale financial assets | (41,457,084) | (36,810,735) |
| Proceeds from the sale and maturity of available-for-sale financial assets | 23,974,406 | 21,812,056 |
| Realised loss on disposal of available-for-sale financial assets | 21,363 | 283,200 |
| Changes in working capital: | | |
| Increase in interest receivable | (363,470) | (502,907) |
| Increase in other receivable | (2,388) | — |
| Decrease/(increase) in due from related party | 438,373 | (438,373) |
| Increase/(decrease) in due to related party | 397,905 | (251,324) |
| (Decrease)/increase in accrued expenses and other payables | (147,734) | 14,271 |
| Net cash used in operating activities | (15,404,391) | (14,107,919) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Subscription proceeds received | 117,761,078 | 161,029,965 |
| Redemptions paid | (99,152,959) | (140,648,267) |
| Net cash provided by financing activities | 18,608,119 | 20,381,698 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,203,728 | 6,273,779 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 29,273,641 | 22,999,862 |
| End of year | 32,477,369 | 29,273,641 |
| Supplemental Cash Flow Disclosures | | |
| Interest received | 5,550,847 | 5,165,124 |

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

(Expressed in United States Dollars)

1. Description of the Fund

The following brief description of The Paria Fund (the "Fund") is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

General information

The Paria Fund is an open-ended mutual fund denominated in United States ("US") dollars and is registered and regulated under the provisions of the Securities Industry Act, 1995 in Trinidad and Tobago. An open-ended fund is one in which the number of units which may be issued in the fund is unlimited.

The Fund was established by the original trustee, First Citizens Bank Limited, under a Trust Deed dated July 26th 2004, in order to provide investors with high current income through investment in a diversified portfolio of high quality debt instruments. In July 2007, First Citizens Trustee Services Limited (the "Trustee") was appointed Trustee to replace the original trustee who retired.

Subscriptions

Subscriptions into the Fund are made by investors at a price per unit (the "subscription price") based on the net asset value per unit of US\$10 each. Units may be subscribed at an initial minimum value of US\$100 and in multiples of US\$25 each thereafter.

Distributions

The net profits of the Fund are calculated and accrued to the investor daily and distributed monthly. Investors have the option to either receive a cash distribution, or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

Redemptions

Units are redeemed without charge at a price per unit (bid price) based on the net asset value per unit at the date of receipt of the request for redemption. The Trustee seeks to maintain as far as is reasonably possible a bid price of US\$10 per unit. Units may be redeemed in cash up to a limit of US\$50,000 or one percent of the net asset value of the Fund, whichever is lower, during any sixty day period for any one investor.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in United States (US) dollars. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

(a) Use of estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Trustee's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New and amended standards adopted by the Fund

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after July 1, 2014 that was adopted and had a material impact on the Fund.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2015 and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Fund's future financial statements:

IFRS 9, 'Financial instruments' – This new standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. The standard is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is required to be applied retrospectively. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in IAS 39. The determination is made at initial recognition. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Fund and have not been disclosed.

(d) Standards and amendments to published standards early adopted by the Fund

The Fund did not early adopt any new, revised or amended standards.

2.2 Foreign currency

(a) Functional and presentational currency

The accounting records as well as the financial statements of the Fund are maintained in United States ("US") dollars. US dollars is the functional and reporting currency of the Fund and subscriptions and redemptions are performed in US dollars. The Trustee considers the US dollar to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation of financial assets and liabilities are included in the statement of comprehensive income.



Notes to the Financial Statements (continued)
(Expressed in United States Dollars)

2. Summary of Significant Accounting Policies (continued)

2.3 Available-for-sale financial assets

Available-for-sale financial assets are those which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(a) Recognition/de-recognition

All purchases and sales of available-for-sale financial assets are recognised on the trade date which is the date on which the Fund commits to purchase or sell the financial asset. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

(b) Measurement

Available-for-sale financial assets are initially recognised at purchase price inclusive of transaction costs, which is equivalent to the fair value at the date of recognition, and are subsequently re-measured at fair value based on quoted market prices where available or discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the statement of comprehensive income.

Realised gains and losses on available-for-sale financial assets are recognised in the statement of comprehensive income in the period in which they arise.

(c) Fair value estimation

The fair values of quoted financial assets in active markets are based on the last traded prices. For unlisted financial assets and those where the market is not active, the Fund establishes fair value by using valuation techniques in good faith. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

2.4 Due to/due from related party

Due to/due from related party represents the net balance of daily cash redemptions and subscriptions of redeemable units with related party at year-end. Due to/due from related party are carried at cost.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents, are carried at cost.

2.6 Net Assets Attributable to Unitholders

Units are redeemable at the unitholder's option subject to certain restrictions as outlined in Note 1 and are classified as equity. The distribution on these units is recognised in the statement of changes in equity. The units can be put back to the Fund at any time for cash equal to the Fund's net asset value per share as determined under the Trust Deed. Units are carried as net assets attributable to unitholders at the redemption amount that is payable at the statement of financial position date, if the unitholder exercised its right to put the unit back into the Fund.

2.7 Interest and dividend income

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of an available-for-sale financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the investment security.

Dividend income is recognised when the right to receive payment is established.

2.8 Expenses

Expenses are accounted for on the accrual basis.

2.9 Transaction costs

Transaction costs are costs incurred to acquire available-for-sale financial assets. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are capitalised at initial recognition by inclusion in the purchase price of the investment.

2.10 Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accrual basis.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Taxation

(a) Tax levied on Unitholders

Distribution income to Trinidad and Tobago residents are not subject to taxation. Tax on distribution income is withheld on distributions paid to non-resident unitholders at the rates applicable to the country in which the unitholders reside.

(b) Tax levied on the Fund

Under the provisions of the Corporation Tax Act of Trinidad and Tobago, the Fund is exempt from taxation on its profits; therefore, no provisions have been made in these financial statements for taxes.

The Fund is subject to foreign withholding tax on certain interest, dividends and capital gains receivable.

2.13 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.14 Distributions to unitholders

Distributions to unitholders are recognised in the statement of changes in equity when they are appropriately authorised as described in Note 1.

3. Critical Accounting Estimates and Judgments

3.1 Critical accounting estimates

Management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of available-for-sale financial assets not quoted in an active market

The fair value of such assets not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may price positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel at First Citizens Asset Management Limited (the "Investment Manager"). The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Paria Fund

Financial Statements

30 June 2015



First Citizens

Notes to the Financial Statements (continued)

(Expressed in United States Dollars)

4. Available-For-Sale Financial Assets

| | 2015 | | 2014 | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Cost \$ | Fair values \$ | Cost \$ | Fair values \$ |
| Government debt securities | 63,382,857 | 67,679,670 | 66,408,276 | 70,369,022 |
| Corporate debt securities | 102,410,697 | 103,887,707 | 68,484,139 | 70,684,634 |
| Government agency securities | 992,431 | 1,073,916 | 18,438,254 | 19,167,357 |
| Term Deposits | 4,006,000 | 4,006,000 | — | — |
| | 170,791,985 | 176,647,293 | 153,330,669 | 160,221,013 |

Movement during the year:

| | 2015 \$ | 2014 \$ |
|---|--------------------|--------------------|
| Balance brought forward | 160,221,013 | 142,190,557 |
| Additions | 41,457,084 | 36,810,735 |
| Disposals/maturities | (23,974,406) | (21,812,056) |
| Net realised loss | (21,363) | (283,200) |
| Net change in unrealised (losses)/gains | (1,035,035) | 3,314,977 |
| Balance carried forward | 176,647,293 | 160,221,013 |

5. Cash and Cash Equivalents

| | 2015 \$ | 2014 \$ |
|----------------------|-------------------|-------------------|
| Bank current account | 27,219,686 | 24,054,928 |
| Short term deposits | 5,257,683 | 5,218,713 |
| | 32,477,369 | 29,273,641 |

6. Accrued Expenses and Other Payables

| | 2015 \$ | 2014 \$ |
|----------------------------|----------------|----------------|
| Management fees payable | 248,839 | 267,411 |
| Trustee fees payable | 43,534 | 38,971 |
| Distributor fees payable | 43,534 | 38,971 |
| Operating expenses accrued | 27,661 | 25,850 |
| Other payables | 16,405 | 156,504 |
| | 379,973 | 527,707 |

7. Net Assets

| | 2015 \$ | 2014 \$ |
|--|--------------------|--------------------|
| Total Equity | 211,176,080 | 191,868,758 |
| Less: fair value reserve | (5,855,309) | (6,890,344) |
| Undistributed surplus | (3,519) | (3,519) |
| Net assets attributable to unitholders | 205,317,252 | 184,974,895 |
| Number of units outstanding | 20,531,725 | 18,497,489 |
| Net value per unit based on net assets attributable to unitholders | \$10.00 | \$10.00 |

Total equity represents the unitholders equity in the Fund which would be realised by the unitholders in the event of the liquidation of the Fund. Net assets attributable to unitholders represents the value of assets available to unitholders for daily redemptions in the normal course of business based on the Trustee's discretion.

The fair value reserve and undistributed surplus represents the undistributed accumulated appreciation on available-for-sale financial assets and accumulated operating gains of the Fund respectively and do not form part of the amount available to unitholders for redemptions in the normal course of business. The Trustee considers the fair value reserve to be distributable only when realised and based on the discretionary powers granted to it in the Fund's Trust Deed, does not consider the fair value reserve to be available for immediate distribution.

8. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Management Fees

The Investment Manager of the Fund is entitled to a maximum investment manager fee of 2.50% per annum based on the average net asset value of the Fund. For the year ended June 30, 2015 the Investment Manager accepted a fee return of 1.50% (2014: 1.40%) on the average net asset value of the Fund. The management fee for the year ended June 30, 2015 totaled US\$3,062,103 (2014: US\$2,678,173) of which US\$248,839 (2014: US\$267,411) was payable at the year end and included in accrued expenses and other payables.

Trustee, Distribution and Administration Fees

The Trustee, Distributor and Administrator of the Fund is entitled to maximum fees of 0.25% per annum based on the average net asset value of the Fund for each service. The fees payable and charged for year ended June 30, 2015 are outlined in Notes 6 and 9 respectively.

Other balances

Certain related parties acts as the bankers and partial investment custodian for the Fund with a business relationship similar to that of non-related parties. The balance outstanding at the year-end along with other related party transactions are detailed below.

| | 2015 \$ | 2014 \$ |
|--|------------|------------|
| Available-for-sale financial assets | 13,786,200 | 14,214,960 |
| Cash and cash equivalents | 27,219,686 | 24,054,928 |
| Due (to)/from related parties | (397,905) | 438,373 |
| Value of units held in the Fund | 6,282,035 | 2,670,584 |
| Distributions received during the year | 30,527 | 41,948 |

The balance due from/(to) related parties is interest free and does not have a stated repayment date.

9. Administrative Expenses

| | 2015 \$ | 2014 \$ |
|--------------------------|------------------|----------------|
| Trustee fees | 499,901 | 426,401 |
| Distributor fees | 499,901 | 426,401 |
| Other operating expenses | 96,811 | 67,963 |
| | 1,096,613 | 920,765 |

10. Distributions to Unitholders

| | 2015 | 2014 |
|---|--------------|--------------|
| Average rate of return without reinvestment option | <u>0.90%</u> | <u>1.01%</u> |
| Annualised effective yield with the reinvestment option | <u>0.90%</u> | <u>1.02%</u> |

Distributions are declared as outlined in Note 1. Distributions of US\$1,734,238 were declared to unitholders for the year ended June 30, 2015 (2014: US\$1,785,893).

11. Financial Risks

11.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on equity and debt securities is limited to the fair value of those positions.



Notes to the Financial Statements (continued)
(Expressed in United States Dollars)

11. Financial Risks (continued)

11.1 Financial risk factors (continued)

Risk management is overseen by the Board of Directors of the Investment Manager which has delegated its responsibility to an Investment Committee that is responsible for the supervision of the fiduciary investment activities of the Investment Manager and the approval of investment instruments. The Investment Committee is guided by the Investment Management Policy Manual which provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

11.2 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

(a) Price risk

The Fund is exposed to price risk on its debt securities. Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's policy is to manage price risk through diversification and selection of financial instruments within specified limits set by the Investment Manager's Board of Directors.

The fair value of debt securities exposed to price risk was as follows:

| | 2015 \$ | 2014 \$ |
|------------------------------|--------------------|--------------------|
| Government debt securities | 67,679,670 | 70,369,022 |
| Corporate debt securities | 103,887,707 | 70,684,634 |
| Government agency securities | 1,073,916 | 19,167,357 |
| Term deposits | 4,006,000 | — |
| | 176,647,293 | 160,221,013 |

The Fund had no concentrations in individual debt or other securities exceeding 9.47% (2014: 10.75%) of the net assets attributable to unitholders.

As at June 30, 2015, had debt security prices increased by 5% or decreased by 5%, with all other variables held constant, and had the fair value of the Fund's portfolio of debt securities moved in a similar manner to the movement in price, equity would have increased/decreased by US\$8,663,911 (2014: US\$7,482,980) respectively.

(b) Currency risk

The Fund does not hold significant financial assets or liabilities denominated in currencies other than the US dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates.

The Fund seeks to manage its exposure to foreign exchange risk by ensuring that, as far as possible, transactions entered into are denominated in the Fund's functional currency.

At June 30, 2015 and June 30, 2014 participation in monetary and non-monetary assets and liabilities of non-functional currencies were negligible hence the Fund was not exposed to significant foreign exchange risk.

(c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest debt securities that expose the Fund to fair value interest rate risk.

The Fund manages its exposure to interest rate risk by monitoring the daily interest sensitivity gap and attempts to ensure that an appropriate mix of interest bearing securities are held.

Concentration of interest rate risk

At June 30, 2015, if interest rates on assets and liabilities had been lower by 1% with all other variables held constant, the increase in equity would have been US\$5,918,228 (2014: US\$5,745,768).

The table below summarises the Fund's exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

| | Up to one year \$ | One to five years \$ | Over five years \$ | Non-interest bearing \$ | Total \$ |
|-------------------------------------|-------------------------|----------------------------|--------------------------|-------------------------------|--------------------|
| As at June 30, 2015 | | | | | |
| Available-for-sale financial assets | 37,823,735 | 67,466,067 | 71,357,491 | — | 176,647,293 |
| Interest receivable | — | — | — | 2,826,908 | 2,826,908 |
| Other receivable | — | — | — | 2,388 | 2,388 |
| Cash and cash equivalents | 32,477,369 | — | — | — | 32,477,369 |
| Total Financial Assets | 70,301,104 | 67,466,067 | 71,357,491 | 2,829,296 | 211,953,958 |
| Total Liabilities | — | — | — | 777,878 | 777,878 |
| Total Financial Liabilities | — | — | — | 777,878 | 777,878 |
| Interest Sensitivity Gap | 70,301,104 | 67,466,067 | 71,357,491 | | |

| | Up to one year \$ | One to five years \$ | Over five years \$ | Non-interest bearing \$ | Total \$ |
|-------------------------------------|-------------------------|----------------------------|--------------------------|-------------------------------|--------------------|
| As at June 30, 2014 | | | | | |
| Available-for-sale financial assets | 14,753,922 | 72,476,464 | 72,990,627 | — | 160,221,013 |
| Interest receivable | — | — | — | 2,463,438 | 2,463,438 |
| Due from related party | — | — | — | 438,373 | 438,373 |
| Cash and cash equivalents | 29,273,641 | — | — | — | 29,273,641 |
| Total Financial Assets | 44,027,563 | 72,476,464 | 72,990,627 | 2,901,811 | 192,396,465 |
| Total Liabilities | — | — | — | 527,707 | 527,707 |
| Total Financial Liabilities | — | — | — | 527,707 | 527,707 |
| Interest Sensitivity Gap | 44,027,563 | 72,476,464 | 72,990,627 | | |

11.3 Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counter-party credit risk on cash and cash equivalents and other receivable balances.

The Fund's aim is to mitigate this risk by carefully screening debt issuers prior to purchase and ensuring that deposits are maintained only with high quality financial institutions.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis while the Investment Manager's Board of Directors reviews it on a quarterly basis.



Notes to the Financial Statements (continued)
(Expressed in United States Dollars)

11. Financial Risks (continued)

11.3 Credit Risk (continued)

The maximum exposure to credit risk before any credit enhancements at period end is the carrying amount of the financial assets as set out below. The following table also categorises the available-for-sale financial assets by industry sector of counterparties.

| | Financial Institutions | Public Sector | Other | Total |
|-------------------------------------|------------------------|-------------------|-------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2015 | | | | |
| Available-for-sale financial assets | 68,267,676 | 68,753,586 | 39,626,031 | 176,647,293 |
| Interest receivable | 691,848 | 1,511,415 | 623,645 | 2,826,908 |
| Other receivable | — | — | 2,388 | 2,388 |
| Cash and cash equivalents | 32,477,369 | — | — | 32,477,369 |
| Total | 101,436,893 | 70,265,001 | 40,252,064 | 211,953,958 |

| | Financial Institutions | Public Sector | Other | Total |
|-------------------------------------|------------------------|-------------------|------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2014 | | | | |
| Available-for-sale financial assets | 68,050,136 | 89,654,298 | 2,516,579 | 160,221,013 |
| Interest receivable | 656,201 | 1,705,189 | 102,048 | 2,463,438 |
| Due from related parties | — | — | 438,373 | 438,373 |
| Cash and cash equivalents | 29,273,641 | — | — | 29,273,641 |
| Total | 97,979,978 | 91,359,487 | 3,057,000 | 192,396,465 |

The clearing and depository operations for the Fund's transactions are with various custodians or brokers that are highly reputable for providing quality services. At June 30, 2015, all available-for-sale financial assets are placed within their custody.

11.4 Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's major liquidity exposure is the daily settlement of daily cash redemptions of redeemable units. Its policy is therefore to invest a sufficient amount of its assets in investments that are traded in an active market and can be readily disposed, and to ensure an adequate portion of its available-for-sale financial assets is represented by cash and cash equivalents.

The Fund may periodically invest in debt securities that are traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount equivalent to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis; the Board of Directors reviews it on a quarterly basis.

The Fund's liabilities comprise of accrued expenses and other payables and due to related party. All balances are due within twelve months and are equal to their carrying balances as the impact of discounting is not significant.

The table below summarises the maturity profile of the Fund's financial liabilities:

| | On demand/ no stated maturity | Less than 3 months | Less than 6 months | Total |
|-------------------------------------|-------------------------------------|-----------------------|-----------------------|----------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2015 | | | | |
| Due to related party | — | 397,905 | — | 397,905 |
| Accrued expenses and other payables | — | 379,973 | — | 379,973 |
| | — | 777,878 | — | 777,878 |

| | On demand/ no stated maturity | Less than 3 months | Less than 6 months | Total |
|-------------------------------------|-------------------------------------|-----------------------|-----------------------|----------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2014 | | | | |
| Accrued expenses and other payables | — | 527,707 | — | 527,707 |
| | — | 527,707 | — | 527,707 |

12. Fair Value Classification

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at:

| | Level 1 | Level 2 | Level 3 | Total Balance |
|--|--------------------|-------------------|------------|--------------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2015: | | | | |
| Available-for-sale financial assets: | | | | |
| Government debt securities | 63,020,843 | 4,658,827 | — | 67,679,670 |
| Corporate debt securities | 70,888,245 | 32,999,462 | — | 103,887,707 |
| Government agency securities | — | 1,073,916 | — | 1,073,916 |
| Term deposits | — | 4,006,000 | — | 4,006,000 |
| Total available-for-sale financial assets | 133,909,088 | 42,738,205 | — | 176,647,293 |
| | Level 1 | Level 2 | Level 3 | Total Balance |
| | \$ | \$ | \$ | \$ |
| As at June 30, 2014: | | | | |
| Available-for-sale financial assets: | | | | |
| Government debt securities | 60,468,926 | 9,900,096 | — | 70,369,022 |
| Corporate debt securities | 53,345,174 | 17,339,460 | — | 70,684,634 |
| Government agency securities | 11,570,533 | 7,596,824 | — | 19,167,357 |
| Total available-for-sale financial assets | 125,384,633 | 34,836,380 | — | 160,221,013 |

As at June 30, 2014:

| | Level 1 | Level 2 | Level 3 | Total Balance |
|--|--------------------|-------------------|------------|--------------------|
| | \$ | \$ | \$ | \$ |
| As at June 30, 2014: | | | | |
| Available-for-sale financial assets: | | | | |
| Government debt securities | 60,468,926 | 9,900,096 | — | 70,369,022 |
| Corporate debt securities | 53,345,174 | 17,339,460 | — | 70,684,634 |
| Government agency securities | 11,570,533 | 7,596,824 | — | 19,167,357 |
| Total available-for-sale financial assets | 125,384,633 | 34,836,380 | — | 160,221,013 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include actively traded debt securities.

Level 2 investments include debt securities that are listed on a stock exchange but not actively traded. Certain debt securities were valued using valuation techniques with observable inputs.

There were no movements among levels during the financial years ended June 30, 2015 and 2014.

13. Subsequent Events

The Fund evaluated all events that occurred from July 1, 2015 through October 14, 2015, the date the financial statements were available to be issued. During the period, the Fund did not have any subsequent events requiring recognition or disclosure in the financial statements, other than those disclosed below.

Subsequent to year-end, up to October 14, 2015, the Fund received subscriptions amounting to US\$31,134,329, paid redemptions amounting to US\$35,780,803 and distributed income of US\$430,074.